



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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September 11, 2003

**TO:** Senator Lisa Brown, Chair  
Senator Dino Rossi  
Representative Jack Cairnes  
Marty Brown, OFM, Director  
Will Rice, DOR, Acting Director

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** September 10, 2003 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$658.0 million in the August 11- September 10, 2003 collection period. For the second consecutive month GFS tax payments exceeded the estimate. Receipts this month were \$23.9 million (3.8 percent) above the estimate for the month. Revenue Act taxes (sales, use, business and occupation, and public utility taxes), real estate excise and nursing home fees were the primary source of this month's variance. However, like last month, the positive variance is not due to a stronger than expected economy. Four special, non-reoccurring transactions accounted for virtually the entire variance for the month. Excluding there transactions, the variance for the month would be only \$400,000. For the three months since the June forecast, the Revenue Act variance is \$44.1 million (1.7 percent). However, excluding special, non reoccurring transactions, the variance is only \$13.7 million (0.5%), indication that while we have significantly more revenue than expected, the underlying forecast is pretty much on track.

The U.S economy has shown signs of accelerating growth recently and third quarter's real Gross Domestic Product should easily exceed the 2.4 percent pace of the second quarter. Consumer spending is still strong helped by the tax cuts that kicked-in in July as well as still relatively low interest rates. However, job cuts are continuing. The U.S. economy lost 93,000 jobs in August and has lost more than 400,000 so far this year.

Revenue Act receipts, reflecting payment of taxes that are closely tied to economic activity, were \$18.0 million more than expected for the month. Collections this period primarily reflect July 2003 business activity of monthly taxpayers. Revenue Act collections this month included three special and non-reoccurring transactions. There were two unusually large audit payments (\$16.9 million) and a \$4.5 million transfer (correcting prior underreporting). Excluding these transactions, Revenue Act receipts were \$3.4 million less than expected for the month. Revenue Act receipts are \$16.9 million higher than expected for the three months since the June forecast, but are \$11.5 million less than expected when these and last month's special factors are excluded. Revenue growth is showing some improvement as expected. For the month, Revenue Act receipts were 3.1 percent above the year-ago level (adjusting for special factors and new

legislation). This is above last month's 2.4 percent increase and the best since October 2002. Still it is producing a little less revenue than expected.

Preliminary data on tax payments of 8,000 large taxpayers for the current month again indicate that retailing activity was stronger than non-retailing. Tax payments of business in the retail trade sector were 8.0 percent above the year-ago level, while payments from taxpayers in non-retailing sectors grew 2.2 percent. Within retail trade, tax payments reported by all major sectors were higher than a year ago. Electronics and appliance stores reported the largest gain (22.4 percent). Building equipment and garden equipment retailers also reported a double-digit increase in tax payments (11.2 %). The smallest gains in the retail trade sector were reported by non-store retailers (1.0%) and food & beverage stores (1.8%). Among major non-retail sectors, several sectors gains were reported by the manufacturing, construction, wholesale trade as well as several service sectors. Declines were reported by utilities, information and some service sectors.

Other General Fund taxes collected by the Department of Revenue were \$5.9 million above the estimate for the month. For the three months since the June forecast Non-Revenue Act taxes are \$26.6 million above the forecast. Higher than expected real estate excise tax payments account for most of the variance for both the current month and cumulatively. In addition, we received \$2.4 from a newly enacted tax on nursing homes. Revenue from this source was not expected until next month. The \$2.4 million (included in the "other" category in Table 1 is entirely due to timing and will be offset by lower payments in future months.

Real estate activity continues to do better than expected. Real estate excise tax payments were \$7.9 million above the forecast for the month and are \$16.0 million above the forecast in the three months since the June forecast. Real estate activity (closings in July which reflecting tax payments to the state in August) was 28.6 percent above the year-ago level statewide. The number of transactions was up 18.6 percent, while the average value per transaction increased 8.4 percent. Real estate activity has increased more than 20 percent nine of the past ten months.

Department of Licensing General Fund-State collections were \$43,000 below the estimate for the month but are \$679,000 higher than expected in the three months since the June forecast.

The attached Table 1 provides a comparison of collections with the June forecast for the August 11 - September 10, 2003 collection period and cumulatively since the June 2003 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**September 10, 2002 Collections Compared to the June 2002 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>August 11 - September 10, 2002</b>				
Department of Revenue-Total	\$632,854	\$656,807	\$23,952	3.8%
Revenue Act** (1)	684,458	702,471	18,013	2.6%
Non-Revenue Act(2)	(51,603)	(45,664)	5,939	-11.5%
Liquor Sales/Liter	8,103	8,497	394	4.9%
Cigarette	4,657	4,527	(130)	-2.8%
Property (State School Levy)- net after transfer	(127,448)	(126,629)	820	-0.6%
Property tax collections	6,901	7,616	715	10.4%
transfer to the Student Achievement Acct.	(134,349)	(134,245)	104	-0.1%
Estate	15,211	8,977	(6,234)	-41.0%
Real Estate Excise	42,502	50,429	7,928	18.7%
Timber (state share)	1,235	1,365	129	10.5%
Other	4,136	7,170	3,034	73.3%
Department of Licensing (2)	1,241	1,198	(43)	-3.5%
<b>Total General Fund-State***</b>	<b>\$634,095</b>	<b>\$658,005</b>	<b>\$23,910</b>	<b>3.8%</b>
<b>Cumulative Variance Since the June Forecast (June 11 - August 10, 2002)3</b>				
Department of Revenue-Total	\$2,544,457	\$2,587,924	43,467	1.7%
Revenue Act** (3)	2,133,492	2,150,385	16,893	0.8%
Non-Revenue Act(4)	410,965	437,539	26,574	6.5%
Liquor Sales/Liter	23,706	24,189	483	2.0%
Cigarette	13,266	14,250	985	7.4%
Property (State School Levy)-net after transfer	168,836	168,714	(122)	-0.1%
Property tax collections	303,185	302,959	(226)	-0.1%
transfer to the Student Achievement Acct.	(134,349)	(134,245)	104	-0.1%
Estate	30,436	33,671	3,235	10.6%
Real Estate Excise	132,054	148,059	16,005	12.1%
Timber (state share)	1,235	1,365	129	NA
Other	41,432	47,291	5,859	14.1%
Department of Licensing (4)	9,446	10,125	679	7.2%
				NA
<b>Total General Fund-State***</b>	<b>\$2,553,903</b>	<b>\$2,598,049</b>	<b>\$44,146</b>	<b>1.7%</b>

1 Collections August 11 - September 10, 2003. Collections primarily reflect July 2003 activity of monthly taxpayers.

2 August 1-31, 2003 collections.

3 Cumulative collections, estimates and variance since the June 2003 forecast; (June 11 - September 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June, July & August 2003) and revisions to history.

\* Based on the June 2002 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing), about 97% of total General Fund-State revenue.

**TABLE 2**  
**August 10, 2003 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>July 11-August 10, 2003</b>				
Department of Revenue-Total	\$907,538	\$907,538	(\$0)	-0.0%
Revenue Act (1)	803,825	\$803,825	(0)	-0.0%
Non-Revenue Act(2)	103,713	\$103,713	(0)	-0.0%
Liquor Sales/Liter	7,501	\$7,501	(0)	-0.0%
Cigarette	5,855	\$5,855	0	0.0%
Property (State School Levy)-net	11,697	\$11,697	0	0.0%
Property tax collections	11,697	11,697	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	17,872	17,872	0	0.0%
Real Estate Excise	50,015	50,015	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	10,772	10,772	0	0.0%
Department of Licensing (2)	2,764	2,784	20	0.7%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$910,301	\$910,322	\$21	0.0%

**Cumulative Receipts: July 11 - August 10, 2003 & Revisions to History**

Department of Revenue-Total	1,931,118	\$1,931,118	(\$0)	-0.0%
Revenue Act (3)	1,447,914	1,447,914	0	0.0%
Non-Revenue Act(4)	483,203	483,203	0	0.0%
Liquor Sales/Liter	15,693	15,693	(0)	-0.0%
Cigarette	9,723	9,723	0	0.0%
Property (State School Levy)-net after transfer	295,343	295,343	(0)	-0.0%
Property tax collections	295,343	295,343	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	24,694	24,694	(0)	-0.0%
Real Estate Excise	97,630	97,630	(0)	-0.0%
Timber (state share)	0	(0)	(0)	NA
Other	40,121	40,121	0	0.0%
Department of Licensing (4)	8,906	8,927	21	0.2%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,940,024</b>	<b>\$1,940,044</b>	<b>\$20</b>	<b>0.0%</b>

Preliminary. Reported in the August 10, 2003 collection report.

1 Collections July 11 - August 10, 2003. Collections primarily reflect June 2003 business activity of monthly taxpayers and April-June activity of quarterly filers

2 July 1-31, 2003 collections.

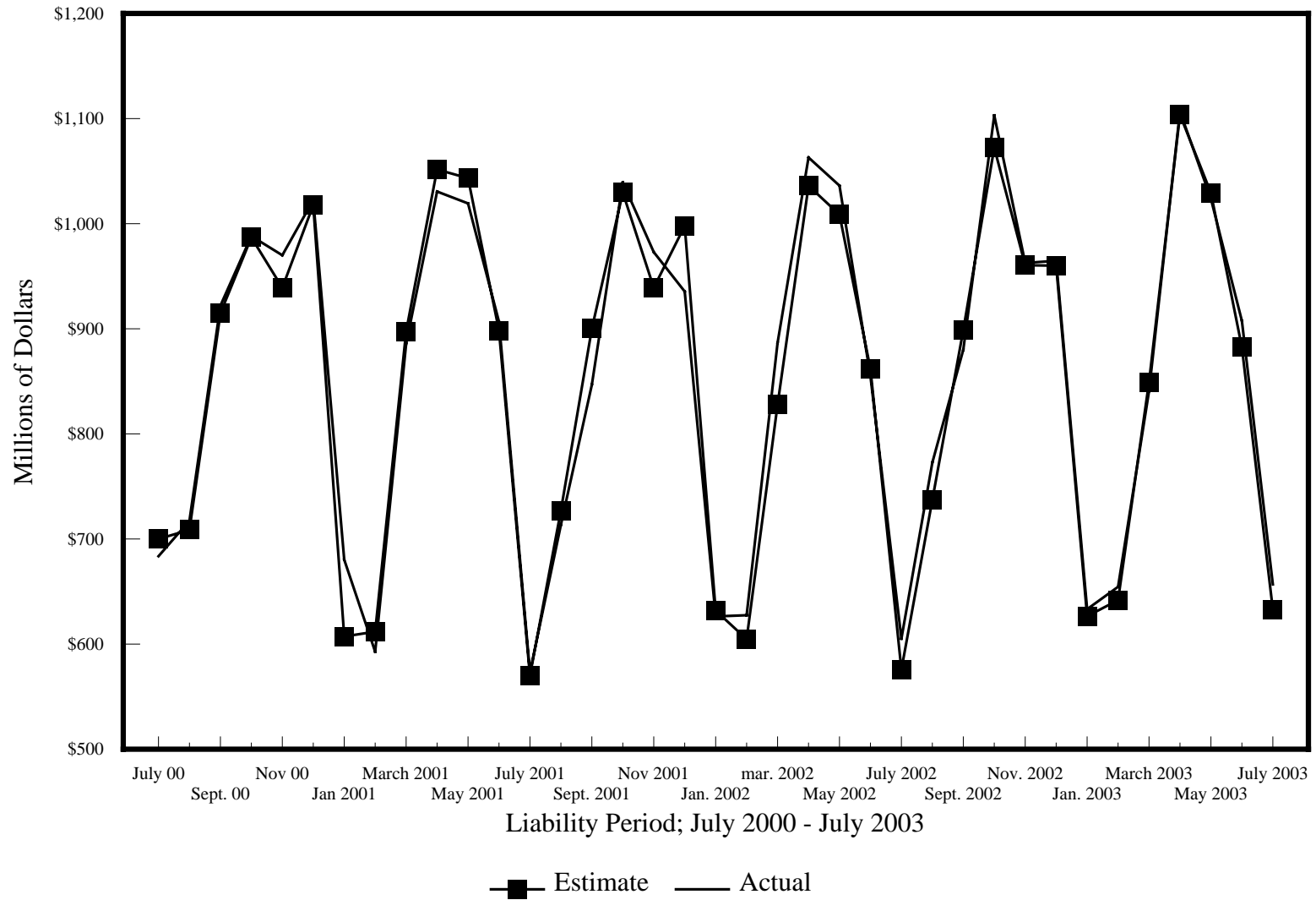
3 Cumulative receipts since the June 2003 forecast: June 11- August 10,2003 & revisions to history.

4 Cumulative receipts since the June 2003 forecast (June & July 2003 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

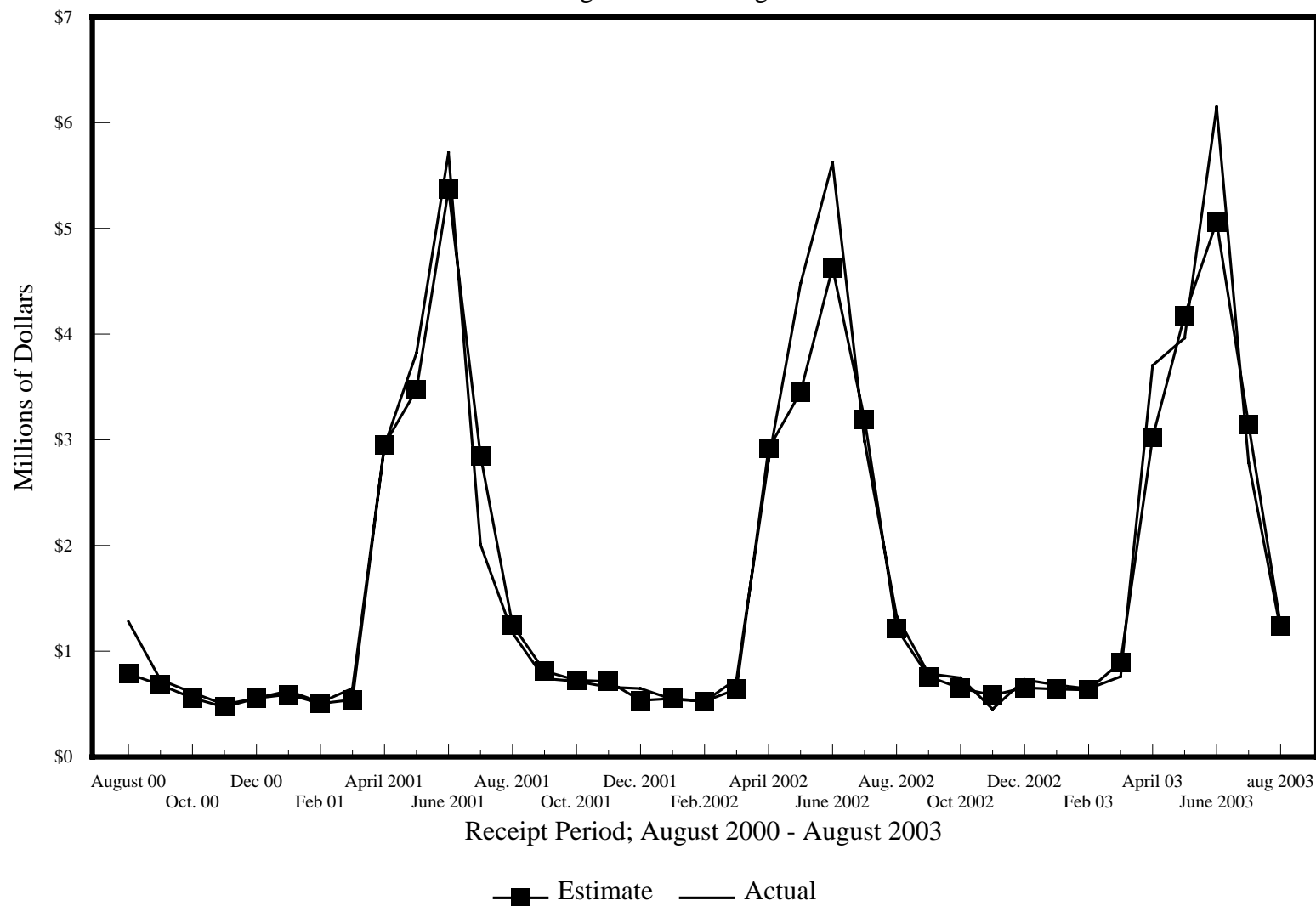
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to July 2003



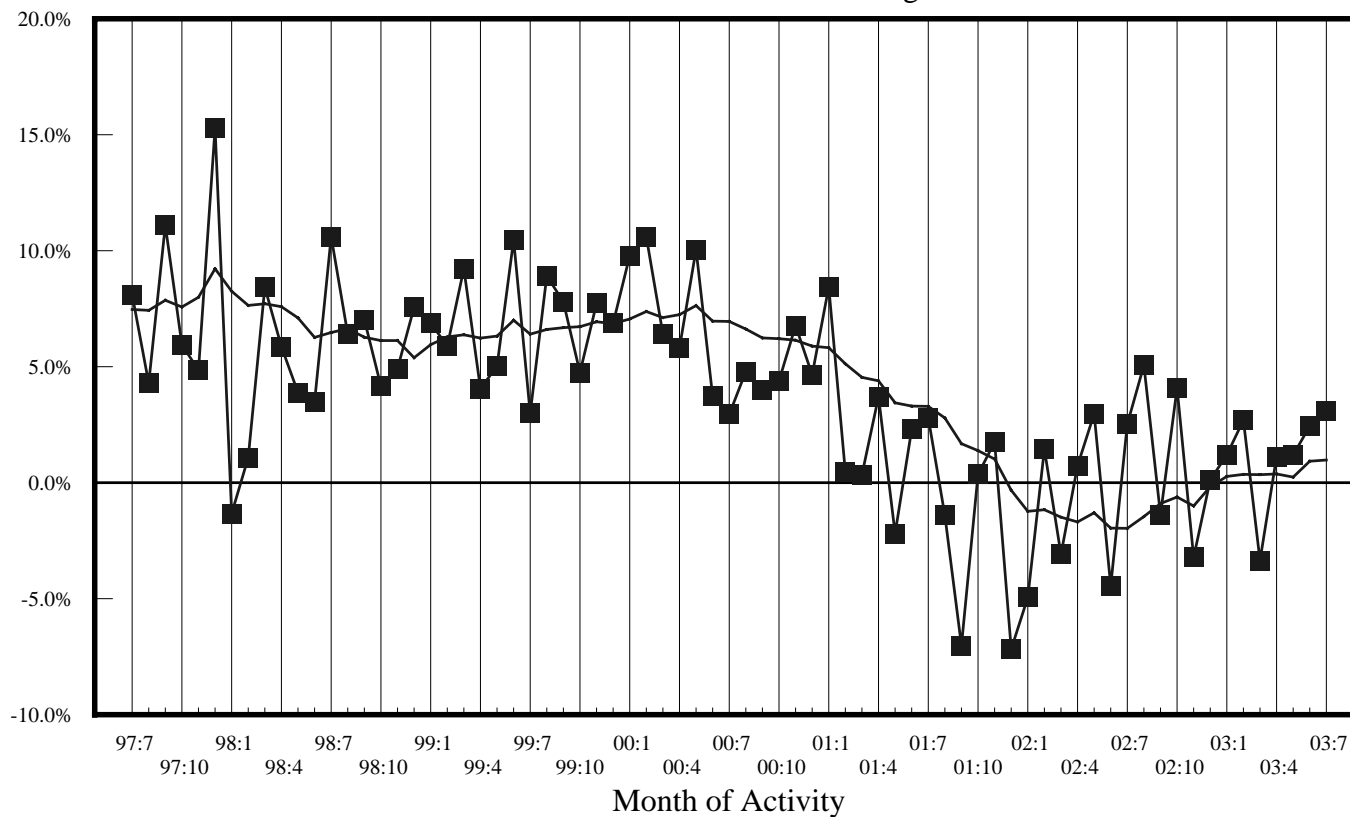
# Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to August 2003



# Revenue Act Net Collections\*

Year-over-Year Percent Change



■ %CH from year-ago month

— Twelve Month Moving Average

\*Adjusted for special factors